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ABSTRACT

Designed for firms who are seriously interested in expanding their business into international trade and who want to evaluate their prospects and potential for success, this workbook guides the reader through the steps in preparing an international business plan. Introductory sections explain how to use the workbook, offer a summary outline of an international business plan, and discuss the importance of planning. The next sections provide worksheets covering the following planning aspects: goal setting, the purpose of entering international business, the characteristics of the industry, methods of exporting, international skills, personnel, products/services, targeting markets and customers, support functions, competitive analysis, marketing strategy, sales forecast, cost of goods sold, international overhead expenses, projected income statement for the first 5 years, financial strategy, break-even analysis, timetable, and summary. Sources of information, an evaluation sheet, a glossary of relevant terms, and a sample freight worksheet are included. (EJV)

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Oregon Small Business
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Your International Business Plan

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*Su Plan de Negocio:
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Your International Business Plan

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A Workbook For Your International Business Plan

*Compiled and edited by
John W. Otis, Director
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International Trade and Commerce Institute
Portland State University*



Preface

This workbook has been prepared for distribution by the Small Business International Trade Program which is associated with the International Trade and Commerce Institute of Portland State University. It is intended for use by those who are seriously considering expanding their business into international trade and want to evaluate their prospects and potential for success. If you are entering into business for the first time, you will want to complete the workbook "Your Business Plan" before commencing on this workbook, "Your International Business Plan."

International business is not for everyone. Consequently, the preparation of an international business plan is a critical step to be taken before making a commitment to enter into international trade. This workbook will guide you through the preparation of your international business plan. Upon completion of the workbook, if you will be applying for a loan, be certain to allow sufficient time to secure funding prior to making any trade commitments.

The material presented in this workbook is patterned after "Your Business Plan" prepared for the Oregon Small Business Development Center Network by Dennis J. Sargent, CPA, and Maynard N. Chambers of Linn-Benton Community College. In addition, specific information was set forth by a panel of experts in the field of international trade. We would like to thank Lloyd Porter, District Director of the U.S. and Foreign Commercial Service, Calvin Van Pelt, President of Martin Trading Corporation, Frank Dausz, Export Manager of George Bush & Company, Inc., and Willem Winter, Vice President of First Interstate Bank, who gave generously of their time and knowledge to put this workbook together.

We hope this workbook is a valuable resource for your international business endeavor. The global market is an exciting business arena. To be successful in international business, it requires patience, stability, and commitment. If this workbook aids in assessing your potential from these perspectives, it will have been time well spent in the evaluation procedure.

We would be interested in your response to this workbook and urge you to return the evaluation form in the back of the book. If you need help, you can have an International Trade Counselor assigned to assist you. For information call the Small Business International Trade Program at (503) 229-3246, or contact your local Small Business Development Center.

Good luck with your plan and your international business.



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How to Use the Workbook

The workbook should be used step by step from front to back. The sections should be completed in the order presented to obtain maximum benefit from the workbook approach. A suggested method for completing your business plan is given below.

Step 1: Read workbook quickly to get a "feel" for its layout.

Step 2: Read workbook carefully but do not fill in the blanks.

Step 3: Identify sections that meet your needs.

Determine which sections you need to complete to accomplish your purpose. You may want outside assistance in making this determination. If you obtained your copy at your local Small Business Development Center office, ask a counselor at the office to help you select the sections you need. Indicate selected sections by placing check marks in front of section names in the table of contents.

Step 4: Attempt exercises and work sheets in proper order.

Time to pick up your pencil and go to work! You should not expect to complete the workbook on your first attempt. Keep a list of information you will need to research in order to complete the workbook, but do as much as you can the first time through.

The workbook can be viewed as a series of exercises and work sheets that will result in your completed business plan. Instructions are on the left-hand pages as you look at the open workbook and exercises or work sheets are on the right-hand pages. The instructions consist of numbered steps — just like this page — often with questions to help you understand what information is required. Answers may be written on both pages but the information on the right-hand page will go into your completed business plan.

Step 5: Research needed information to complete the plan.

Step 6: Complete the workbook.

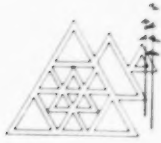
Step 7: Assemble completed business plan.

Your completed business plan should consist of pages from this workbook assembled in the order shown on the next page. Your completed plan will not contain all the pages listed but, rather, only the sections you selected in step 3.



International Business Plan Outline

Section	Workbook Page	Business Plan Page
Summary of the plan	45	1
Purpose of international business	11	2
Background	13	3
Personnel	19	4
International skills	17	5
Products/Services	21	6
Methods of exporting	15	7
Support functions	25	8
Competitive analysis	27	9
Marketing strategy	29	10
Financial strategy	39	11
Sales forecast	31	12
Cost of goods sold	33	13
International overhead expenses	35	14
Projected income statement	37	15
Break-even analysis	41	16
Timetable	43	17



Importance of Planning

Why should you go to all the work of completing this workbook?

Here are five reasons it will be worth your time and effort:

- 1) The thinking involved in answering the questions posed in this workbook will force you to take a thorough look at your whole business and related resources you have for your potential commitment to international trade.
- 2) The completed workbook can be a feasibility study or an international business plan to help you evaluate your potential for going into international trade.
- 3) The completed workbook will be a tool to help you better manage your international business operations successfully.
- 4) The completed workbook will help you communicate your business ideas to persons outside your business and can be a starting point for constructing a financing proposal.
- 5) Businesses managed from a plan rather than by reaction to events are more successful.

Can't I hire someone to do this for me?

No! Nobody will do your thinking or make decisions for you. This is your business we are talking about. If the business plan is to be useful, it must reflect your ideas and efforts — not those of an outsider. If you need assistance to either review what you have done, or need a resource for information regarding specific areas regarding international business, call the Small Business International Trade Program or contact your local Small Business Development Center.

Why is planning so important?

The process of planning forces you to look at the future operations of your business and anticipate what will happen. This process better prepares you for the future and makes you more knowledgeable about your business. Planning is particularly important for international business.

Any firm considering entering into international business transactions must understand that doing business internationally is not a simple task nor one for the faint of heart. It is stimulating and potentially profitable in the long-term but requires much preparation and research prior to the first transaction.

In considering international business, a firm should:

- A) Be successful in its present domestic operation;
- B) Be willing to commit its resources of time, people and capital to the program. Entry into international business may take as long as two years to generate profit with cash outflow during that period.

Developing a business plan helps you assess your present status, business goals, and commitment thus ensuring the best possible chance of success.

What's the bottom line for me if I do the plan?

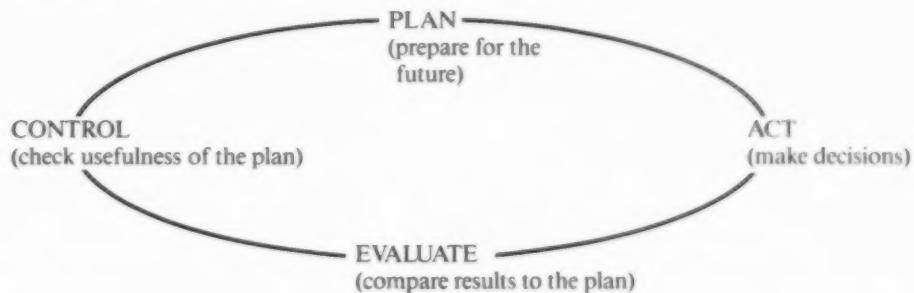
Studies show that failure rates among new businesses based on a business plan are significantly lower than for new businesses without a plan.

Isn't planning just for the big companies?

Planning is appropriate for any organization that wants to approach the future with a plan of action. The future comes whether you are prepared for it or not. A business plan helps you anticipate the future and make well-informed decisions because you have thought about the alternatives you will be facing.

What role does planning play in managing a company?

Planning is a continuous process in business management. The planning process can be thought of as the four steps shown below:



Every business is involved in the activities of making decisions and recording the results of business activities. Without a plan there is no meaningful way to evaluate the results, thus future actions are not based on a revised plan but rather revised instinct. Operating without a plan breaks the continuous process shown above and as a result you manage by reacting to events rather than by anticipating and planning for events.

How often do I have to do this?

A plan must be revised as needed, at least once a year. As previously discussed, planning is a continuous process. You will be surprised how much easier the plan is after the first time and after a revision or two just how much you know about your international business.



Goal Setting

Determining your goals can be a very difficult and often frustrating process. It is, however, a very important step in planning your entry into the international marketplace. The following exercise is intended to help you clarify your goals, both business and personal. Establishing goals gives you a yardstick to measure your performance as your progress through life. Goals are very personal – there are no right and wrong answers. Only you can determine what goals are appropriate.

Step 1: Define long-term goals.

A) What are your long term personal goals for the next 25 years?

B) What are your long-term goals for this business? (10 years)

C) How does entering into international trade help reach your long-term goals?

Step 2: Define intermediate-term goals.

A) What are your five year goals for your international business?

B) What are your three-year goals for your international business?

Step 3: Define short-term goals.

A) What are your one-year goals for your international business?



Purpose of Entering International Business

Step 1: Identify purposes of your international business plan.

The first important decision you need to make is to clearly define the purposes of writing this business plan. It may be to obtain financing, serve as a guide for managing your business, help you clarify all aspects of your business, or perhaps some combination.

- A) Who will use your business plan?
- B) What do you hope to accomplish with this written plan?

Step 2: Define the overall purposes of your international business.

The section on goals was intended to prepare you for these steps. In this step you need to identify business and personal reasons for your international business endeavor. The overall purpose should be long-term and general in nature.

- A) What are the main personal purposes for entering international business?
- B) What are the main business purposes for entering international business?
- C) Are the combined personal and business purposes compatible?

Step 3: Identify specific goals aimed at overall purposes.

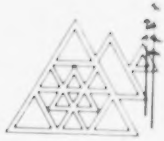
You have now identified both the personal and business purposes for entering international business. You also must identify specific goals that will be steps toward accomplishing your overall objectives. Goals are definitive statements of what you want to happen. Each should include when you will reach the goal and a way to measure it. Some of the major areas of goals, both personal and business, are addressed in this exercise. Be careful to avoid conflicts among various goals. All your goals should point toward the accomplishment of your overall objectives. Your international activities must be compatible with your overall business goals, policies and profits.

- A) What are your goals for the growth of sales volume?
- B) What are your goals for profit before taxes?
- C) What are your goals for compensation for your effort?
- D) What are your goals for time you will commit?
- E) What are your goals for personal growth and education?
- F) What are your other goals?

Purposes of business plan:

Overall purposes of business:

Specific goals of the business:



Background

Step 1: Describe the background of your industry.

- A) How has the industry developed?
- B) What has been the industry's growth?
- C) How competitive has the industry been in international markets?
- D) What is the industry's future internationally?

Step 2: List sources of industry information.

- A) What industry trade associations exist?
- B) What government studies have been conducted on industry's overseas markets.
- C) What export statistics are available on this industry?
- D) What other sources of information are available?

Step 3: Define role of small business.

- A) How well do small businesses prosper in the industry?
- B) How does your business fit in the industry?

Step 4: Describe background of your business.

- A) Why has your business been successful in the domestic market?
- B) What has been the pattern of growth?
- C) What external factors have contributed to this growth?
- D) Has the growth been seasonal and if so when do major sales occur?
- E) What competitive advantages do you feel your firm has over other domestic and international manufacturers?

Background of your industry:

Sources of industry information:

Role of small business in the industry:

Background of the existing business:



Methods of Exporting

There are two basic methods of exporting, direct and indirect. Each of these methods are described briefly below. You may wish to contact several of these organizations to learn what advantages each would offer your firm before making any decisions.

INDIRECT

A) Appoint an Export Management Company to represent you overseas.

Usually this commitment is for a minimum of two years. The Export Management Company agrees to do all export promotion and you agree to provide your product at a cost equal to or slightly below the domestic wholesale cost, deducting such items as domestic advertising and general administrative costs.

B) Selling to U.S. buying offices of large foreign firms or foreign government buying offices.

A number of foreign trading companies have offices in the United States and purchase domestically for their own account.

C) Selling to large U.S. firms for export through their own overseas distribution networks.

DIRECT

A) You can establish within your own organization responsibility for exporting using the services of an Export Consultant to identify markets and develop export promotional material.

B) You can establish within your own organization complete responsibility for international trade. This would include market research, establishing distribution networks, performing exporting functions, and servicing the market established.

Advantages and disadvantages of using an export management company:

Advantages and disadvantages of selling to foreign firms or governments:

Advantages and disadvantages of selling to larger U.S. firms:

Advantages and disadvantages of establishing internal responsibility for exporting:



International Skills

Step 1: Identify key personnel.

A) Which owners have international business experience?

B) Which key employees have international business experience?

Step 2: Identify international consultants and advisors.

A) Who is your accountant?

B) Who is your lawyer?

C) Who is your banker?

Do the above professionals have access to international expertise?

D) Who is your international freight forwarder?

E) Who is your export consultant?

F) Who are your other key advisors?

Step 3: Complete the international skills matrix.

The purpose of this exercise is to help you identify areas of international business expertise where you need to seek assistance. For each skill area, check the adequate knowledge column with an "I" to indicate that an insider (owner or key employee) has the skill or an "O" to indicate an outsider has the skill. For each skill area where you have not indicated adequate knowledge, check either the assistance needed or education needed with an "X."

Step 4: Determine how to address needed skill areas.

For each area checked with an "X," determine how you will satisfy the need in that area.

Owners and key employees:

Outside consultants and advisors:

<u>International Skills/Knowledge</u>	<u>Adequate Knowledge</u>	<u>Assistance Needed</u>	<u>Education Needed</u>
---	-------------------------------	------------------------------	-----------------------------

Geography

Languages

Cultural

International Marketing

Transportation

Documentation

Government Regulations

International Banking

Communications

Personnel

Travel Experience

Foreign Politics/Economics

Legal and Accounting

Steps for compensating for areas where management skill is lacking:



Personnel

To expand your business successfully into international trade, it is important to have trained, qualified employees performing the key tasks. In addition it is essential that these key employees coordinate their efforts to avoid costly errors and omissions.

Step 1: Identify needed employees.

- A) How many employees do you have? _____
- B) Which employees will be specifically involved in your international business in addition to their present job function? _____
- C) What will be the job titles and skills needed by those employees? _____

Step 2: Identify outside resources required.

Step 3: Complete job assignment matrix.

Fill in the names of key employees who will be involved in your international business. Indicate with an X which job(s) will be assigned.

Step 4: Determine when to develop needed written policies.

Written job descriptions that clearly define the duties of each employee and a written personnel policies manual that details the relationship between employee and employer are vital documents.

- A) When will you complete your written job descriptions? _____

Needed employees:

Outside resources:

Job						Outside Resources
Market research						
Advertising						
Engineering						
Product Design						
Sales						
Finance/Credit						
Transportation						
Documentation						
Product Service						



Products/Services

Step 1: Identify products to be offered internationally.

In selecting products from your present product line for distribution internationally, you should probably consider products that have been successfully distributed in the domestic market. In addition, the product should fill a proven need for the purchaser in the foreign market in regards to function, price of esthetic value.

- A) What products does your business sell?
- B) What products will you offer for international trade?

Step 2: Evaluate the products to be offered internationally.

- A) What makes your products unique?
- B) Why will foreign buyers purchase the products from you?
- C) What levels of inventory will be required?

Products offered for sale:

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper appears to be a standard notebook page or a sheet of stationery. There is no handwriting or other markings on the page.

Evaluation:

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There is no handwriting or other markings on the paper.



Targeting Markets and Customers

The U.S. and Foreign Commercial Service or the Foreign Agricultural Service may be of assistance to you in answering the following questions on potential markets, customers, and sales volume.

Step 1: Determine which markets offer the best prospects for export sales.

A firm new to export should limit their initial export sales to not more than three markets. Extending beyond that may cause additional development costs and will not permit you to give attention needed to developing a sound relationship with prospective agents or distributors.

- A) Which countries were the largest purchasers of like or similar US products in the past three years? _____
- B) Which of these countries represent the best markets when considering competitive freight rates from your plant? _____
- C) Which of these countries have a projected growth rate over the next few years? _____
- D) Which three countries represent the best market potential for your products? _____

Step 2: Determine projected sales levels.

This is a difficult, but necessary question to answer.

- A) What is your current percentage of the US market? _____
- B) What is the projected sales for like or similar products in your chosen markets for the coming year? _____
- C) What sales volume will you project for your products in these markets for the coming year? _____
- D) What is the projected growth in these markets over the next five years? _____

Step 3: Identify customers within your chosen markets.

- A) What companies, agents, or distributors have purchased like or similar products? _____

- B) What companies, agents, or distributors have made recent requests for information on like or similar products? _____

- C) What companies, agents, or distributors would be most likely prospective customers for your products? _____

Step 4: Determine method of distribution.

- A) How do other US firms sell in the markets you have chosen? _____

- B) Will you sell direct to the customer?
1. Who will represent your firm? _____
2. Who will service the customers needs? _____

- C) Will you appoint an agent or distributor to handle your foreign market? _____
1. What facilities does the agent need to service the market? _____

2. What type of client should your agent be familiar with in order to sell your product? _____

3. What territory should the agent cover? _____

4. What financial strength should the agent have? _____

5. What other competitive or non-competitive lines are acceptable or not acceptable for the agent to carry? _____

6. How many salesmen does the agent need and how often should they cover the territory? _____

- D) Will you use an export management company to do your marketing and distribution for you? _____
If yes, have you developed an acceptable sales and marketing plan with realistic goals you can agree to? _____



Support Functions

To achieve efficient sales offerings to buyers in the targeted markets, several concerns regarding products, literature and customer relations should be addressed.

Step 1: Identify product concerns.

- A) Can the potential buyer see a functioning model or sample of your product that is substantially the same as he would receive from production?
- B) What product labeling requirements must be met? (Metric measurements, AC or DC electrical, voltage, etc.).
- C) What spare parts should customer have on hand? What spare parts are available elsewhere and how can they be obtained?
- D) Can product be delivered on time as ordered?
- E) Is an export license required, and, if so, will it likely be granted?

Step 2: Identify literature concerns.

- A) If required, do you have literature in language other than English?
- B) Is sales literature sufficiently technical?
- C) What special concerns should be addressed in sales literature to ensure quality and informative representation of your product?

Step 3: Identify customer relations concerns.

- A) What is delivery time and method of shipment?
- B) What are payment terms?
- C) What are the warranty terms?
- D) Who will service the product if needed?
- E) How will you communicate with your customer? . . . through a local agent, telex, or other means?
- F) Are you prepared to give the same order and delivery preference to your international customers that you give to your domestic customers?

Product concerns:

Literature concerns:

Customer concerns:



Competitive Analysis

A key to the success of your international business is establishing a unique market niche. In this section you will compare your business to major competitors. Use the form on the following page to record the rankings. This is an important exercise and will allow you to determine your strengths as well as areas for potential improvement.

Step 1: Identify one major international competitor in each target market.

Step 2: Compare your international business to the competition.

For each of three target market areas, compare your business to your competitors in each of the areas explained below. Rank the businesses on a scale of 1 to 5, with 1 being the best and 5 being the worst.

- 1) **Advertising** — this includes sales literature, catalogs, brochures, service manuals and other promotional material.
- 2) **Location** — compare the transportation costs to the target market with that of your competitor.
- 3) **Products** — consider the completeness and quality of the product line and compare acceptance of American products over products from other countries. Consider how the products are packaged.
- 4) **Service** — consider the service you are willing to provide compared to competitors.
- 5) **Sales Methods** — look at how the competitors represent their products in the markets, is it effective and successful.
- 6) **Pricing** — this is difficult to compare but look at your lowest prices and, as best you can determine, the lowest price of your competitors. Preferential tariffs may be a factor.
- 7) **Image** — look at the overall image in the market including reputation, time in business, quality of product, service, and personnel.

Names and addresses of major competitors: _____

Market A: _____

Market B: _____

Market C: _____

Other _____

For each area of comparison rank your competitors on a scale of 1 (high) to 5 (low).

Areas of Comparison	You	Competitor			
		A	B	C	D
1) Advertising					
2) Location					
3) Products					
4) Service					
5) Sales Methods					
6) Pricing					
7) Image					

List changes that will improve your competitive position: _____



Marketing Strategy

In international sales, the chosen "terms of sale" are most important. Should you make the product available at your plant, at the port of exit, landed at the port of importation, or delivered free and clear to the customer's door? The answer to this question involves determining what the market requires, and how much risk you are willing to take.

Pricing strategy depends on "terms of sale" and also considers value added services of bringing the product to the international market. A good reference is "INCO TERMS 1980 REV." where international terms of sale are defined as well as what costs and risks are borne by the seller and the buyer at each step in the transaction. (See Appendix A for definition of generally used terms.)

Step 1: Define pricing strategy.

- A) How do you calculate the price for each product?
- B) What factors have you considered in setting prices?
- C) Upon review of INCO TERMS with an international freight forwarder, what terms of sale are suited for your product?
- D) Which products' sales are very sensitive to price changes?
- E) How important is pricing in your overall marketing strategy?
- F) What are discount policies?

Step 2: Define promotional strategy.

- A) What advertising materials will you use?
- B) What trade shows or trade missions will you participate in, if any?
- C) What time of year and how often will foreign travel be made to customer markets?

Step 3: Define customer services.

- A) What special customer services do you offer?
- B) What types of payment options do you offer?
- C) How do you handle merchandise customers return?

Pricing strategy:

Promotional strategy:

Customer services:



Sales Forecast

Forecasting sales of your product is the starting point for your financial projections. The sales forecast is extremely important, so it is important you use realistic estimates. Before completing this section, you may want to review the Marketing Plan section of this book. Remember that sales forecasts show the expected time the sale is made. Actual cash flow will be impacted by delivery date and payment terms.

Step 1:

Fill in the units-sold line for markets 1, 2, and 3 for each year.

Step 2:

Fill in the sales price per unit for products sold in markets 1, 2 and 3.

Step 3:

Calculate the total sales for each of the different markets (units sold $\times$ sales price per unit).

Step 4:

Calculate the sales (all markets) for each year - add down the columns.

Step 5:

Calculate the five year total sales for each market - add across the rows.

SALES FORECASTS - FIRST FIVE YEARS

	1	2	3	4	5
Market 1					
Units Sold	_____	_____	_____	_____	_____
Sale Price/Unit	_____	_____	_____	_____	_____
Total Sales	_____	_____	_____	_____	_____
Market 2					
Units Sold	_____	_____	_____	_____	_____
Sale Price/Unit	_____	_____	_____	_____	_____
Total Sales	_____	_____	_____	_____	_____
Market 3					
Units Sold	_____	_____	_____	_____	_____
Sale Price/Unit	_____	_____	_____	_____	_____
Total Sales	_____	_____	_____	_____	_____
Total Sales					
All Markets	_____	_____	_____	_____	_____



Cost of Goods Sold

The cost of goods sold internationally are in part determined by pricing strategies and terms of sale (see page 28). In order to ascertain the costs associated with the different terms of sale described in the INCO TERMS, it will be necessary to consult an international freight forwarder. For example, a typical term of sale offered by a U.S. Exporter is C.I.F. port of destination. Your price includes all the costs to move product to the port of destination. A typical cost worksheet would include some of the following factors (see Appendix B).

export packing	forwarding
container loading	documentation
inland freight	consular legalization
truck/rail unloading	bank documentation
wharfage	dispatch
handling	bank collection fees
terminal charges	cargo insurance
ocean freight	other misc.
bunker surcharge	telex
courier mail	

To complete this chapter, you will need to use data from the previous chapter (sales forecast). Certain costs related to your terms of sale may also have to be considered (see page 38).

Step 1:

Fill in the units-sold line for market 1, 2, and 3 for each year.

Step 2:

Fill in your cost per unit for products sold in markets 1, 2, and 3.

Step 3:

Calculate the total cost for each of the products - units sold x cost per unit.

Step 4:

Calculate the cost of goods sold - all products for each year - add down the columns.

Step 5:

Calculate the five year cost of goods for each market - add across the rows.

COST OF GOODS SOLD - FIRST FIVE YEARS

	1	2	3	4	5
<u>Market 1</u>					
Units Sold	_____	_____	_____	_____	_____
Cost/Unit	_____	_____	_____	_____	_____
Total Cost	_____	_____	_____	_____	_____
<u>Market 2</u>					
Units Sold	_____	_____	_____	_____	_____
Cost/Unit	_____	_____	_____	_____	_____
Total Cost	_____	_____	_____	_____	_____
<u>Market 3</u>					
Units Sold	_____	_____	_____	_____	_____
Cost/Unit	_____	_____	_____	_____	_____
Total Cost	_____	_____	_____	_____	_____
<u>Cost of Goods Sold</u>					
All Markets	_____	_____	_____	_____	_____



International Overhead Expenses

In determining overhead costs for your export activities, you should be certain not to include costs that pertain only to domestic marketing efforts. For instance costs for domestic advertising or service which would not pertain to the foreign market should not be included. Examples of most typical expense categories for export business are listed on opposite page. Some of these expenses will be first year expenditures, while others will occur every year.

Step 1:

Review the expenses listed on the next page. These are expenses that will be incurred because of your international business. There may be other expense categories not listed - list them under "other expenses."

Step 2:

Estimate your cost for each expense category.

Step 3:

Estimate any domestic marketing expense included that is not applicable to international sales.

Step 4:

Calculate the total for your international overhead expenses.

EXPENSE	COST			
	Market 1	Market 2	Market 3	Total Yr 1
Legal Fees	_____	_____	_____	_____
Accounting Fees	_____	_____	_____	_____
Promotional Material	_____	_____	_____	_____
Travel	_____	_____	_____	_____
Communication Equip/Telex	_____	_____	_____	_____
Advertising Allowances	_____	_____	_____	_____
Promotional Expenses (e.g.: trade shows, etc.)	_____	_____	_____	_____
Other Expenses	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Total Expenses	_____	_____	_____	_____
Less Domestic Expenses Included Above, if any	_____	_____	_____	_____
Total International Start-up Expenses	_____	_____	_____	_____



Projected Income Statement - Year 1 to 5, All Markets

You are now ready to assemble the data for your projected income statement. This statement will calculate your net profit or net loss (before income taxes) for each year.

Step 1:

Fill in the sales for each year. You already estimated these figures on page 31 - just recopy them on the work sheet.

Step 2:

Fill in the cost of goods sold for each year. You already estimated these figures on page 33 - just recopy on the work sheet.

Step 3:

Calculate the Gross Margin for each year (Sales minus Cost of Goods Sold).

Step 4:

Calculate the Total Operating Expenses for each year.

Step 5:

Calculate the Net Profit or Net Loss (Before Income Taxes) for each year (Gross Margin minus Total Operating Expenses).

PROJECTED INCOME STATEMENT - YEAR 1 TO 5, ALL MARKETS

	1	2	3	4	5
International Sales	_____	_____	_____	_____	_____
Cost of Goods Sold	_____	_____	_____	_____	_____
Gross Margin	_____	_____	_____	_____	_____

International Operating Expenses

Legal	_____	_____	_____	_____	_____
Accounting	_____	_____	_____	_____	_____
Advertising	_____	_____	_____	_____	_____
Travel	_____	_____	_____	_____	_____
Trade shows	_____	_____	_____	_____	_____
Promotional Material	_____	_____	_____	_____	_____
Supplies	_____	_____	_____	_____	_____
Communication Equipment	_____	_____	_____	_____	_____
Interest	_____	_____	_____	_____	_____
Insurance	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____

Total International Operating Expenses

Net Profit (or loss) Before Income Taxes



Financial Strategy

It is critical that you understand and have a clear definition of the financial aspects of doing business abroad. The following questions are some that should be considered.

- A) What sources are available to investigate the credit of a buyer?
- B) What payment terms will you quote?
- C) Will you insist on a letter of credit?
- D) Will you investigate export credit insurance?
- E) Can the extension of terms be considered?
- F) Does your bank have an in-depth knowledge of international financial transactions?

Depending upon your terms of sale, there may be some costs you will want to include in your cost of goods sold (see page 32).

Sources of credit:

Payment terms/letter of credit:

Export credit insurance:

International banking:



Break-Even Analysis

The break-even is the level of sales at which your total sales exactly covers your total costs and operating expenses. This level of sales is called the Break-Even Sales Level (BEP sales).

In other words, at the BEP sales level, you will make a zero profit. If you sell more than the BEP sales level, you will make a net profit. If you sell less than the BEP sales level, you will have a net loss.

The work sheet will calculate your BEP sales level for any year of operations. The steps listed below will assume that you are calculating the BEP sales level for Year 1.

Step 1:

Fill in your Total Sales, Total Cost of Goods Sold, and Total Gross Margin for Year 1. Refer to page 37 for these figures.

Step 2:

Calculate the Gross Margin % using the formula which is given on the work sheet. The Gross Margin % tells you what percentage of each dollar of sales results in Gross Margin.

Step 3:

Fill in the Total Operating Expenses for Year 1. You have already calculated this figure on page 37.

Step 4:

Calculate the BEP sales level using the formula which is given. You need to reach this level of sales just to break even.

Note: In addition to a break even analysis, it is highly recommended that a profit and loss statement be generated for the first few actual international transactions. Since there are a great number of variables relating to costs of goods (see page 32), real transactions are required to establish actual profitability and minimize the risk of losses.

Step 1:

Total Sales \$ _____
Total Cost of Goods Sold \$ _____
Total Gross Margin \$ _____

Step 2:

$$\text{Gross Margin \%} = \frac{\text{Total Gross Margin}}{\text{Total Sales}} = \frac{\$ \_\_\_\_\_\_}{\$ \_\_\_\_\_\_}$$

Gross Margin % = 0. _____

(Leave the Gross Margin % in a decimal format. The format is 0.347 - not 34.7%).

Step 3:

Total Operating Expenses = \$ _____

Step 4:

$$\text{BEP Sales Level} = \frac{\text{Total Operating Expenses}}{\text{Gross Margin \%}} = \frac{\$ \_\_\_\_\_\_}{0. \_\_\_\_\_\_}$$

BEP Sales Level = \$ _____



Timetable

This is a work sheet that you will need to work on periodically as you progress in the workbook. The purpose is to assure that key activities vital to the success of your international business are identified and completed.

Step 1: Identify key activities.

By reviewing other portions of your business plan, compile a list of activities that are vital to the successful operation of your business. Be sure to include travel to your chosen market as applicable.

Step 2: Assign responsibility for each activity.

For each identified activity, assign one person primary responsibility for the completion of that activity.

Step 3: Determine scheduled start date.

For each activity determine the date when work will begin. You should consider how the activity fits into your overall plan as well as the availability of the person responsible.

Step 4: Determine scheduled finish date.

For each activity determine when the activity must be completed.



Summary

Step 1: Verify completion of previous pages.

You should have finished all the other sections in the workbook before continuing any further.

Step 2: Identify your business plan audience.

What type of person are you intending to satisfy with this business plan? The summary should briefly address all the major issues that are important to this person. Keep in mind that this page will probably be the first read by this person. It is extremely important the summary be brief yet contain the information most important to the reader. This section should make the reader want to read the rest of your plan.

Step 3: Write a one-page summary.

You will now need to loosen up your writing hand because it is time to write no more than a page summarizing all the previous work sheets you have completed.

Determine which sections are going to be most interesting to your reader. Write one to three sentences that summarize each of the important sections.

These sentences should appear in the order of the sections of your business plan. Keep in mind that the sentences must fit together to form a summary, not appear to be a group of loosely related thoughts.

You may want to have several different summaries, depending on who will read the business plan.

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There is no handwriting or other markings on the paper.



Importing

The development of an import company, or extension of your present supply lines to include foreign suppliers, is mostly a process of successfully operating your domestic business. From start-up to ongoing operation, importing is a domestic operation with some, or all, of your inventory coming from a foreign source.

Whether importing or exporting, an international operation still requires knowledge of how goods move from country to country, and how money flows. Consequently, the duties of an international freight forwarder and an international banker should be well understood. In addition, the importer should be familiar with requirements of U.S. Customs as related to the product being imported and countries involved. Your local customs office can be of assistance to you.

There are several sources for finding products to import including visiting foreign trade shows, consular officer in the U.S., and trade development associations maintained in major cities throughout the U.S. representing countries such as Korea, Hong Kong, Singapore, etc. The nearest consular office can be of assistance. In addition, your international banker and customs house broker may be able to help.

For exporting and importing, basic business practices should prevail. Become acquainted with your supplier or customer, know the cultural concerns for doing business in the chosen country, show respect, maintain patience, and do what you say you're going to do.

If further assistance is needed, please call the Small Business International Trade Program, Portland, Oregon, (503) 229-3246.



Source of Information - Federal Agencies

U.S. Foreign and Commercial Service

1220 SW Third Avenue
Portland, Oregon 97204
221-3001

Small Business Administration

1220 SW Third Avenue
Portland, Oregon 97204
221-3441 (Management Assistance)

U.S. Customs Service

511 NW Broadway
Portland, Oregon 97209
221-2871

Chamber of Commerce of the United States

1615 H. Street, NW
Washington, D.C. 20062
(202) 659-6000



Source of Information - State of Oregon Agencies

**International Trade and Commerce Institute
of Portland State University**
1912 SW Sixth, Room 260
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229-3246

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International Trade Division
1500 SW First Avenue, Suite 620
Portland, Oregon 97201
229-5625

Oregon Department of Agriculture
Agriculture Development & Marketing
635 Capital NE
Salem, Oregon 97310
378-3787



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Appendix A

The Fourteen INCO TERMS Rev. 80.

EX WORKS means that the seller's only responsibility is to make the goods available at his premises (i.e. works or factory). The buyer bears the full cost and risk involved in bringing the goods from there to the desired destination. This form thus represents the minimum obligation for the seller.

FREE CARRIER (named point). This term has been designed to meet the requirements of modern transport, particularly such "multimodal" transport as container or "roll-on-roll-off" traffic by trailers and ferries. It is based on the same principle as FOB except that the seller fulfills his obligations when he delivers the goods into the custody of the carrier at the named point. The risk of loss of or damage to the goods is transferred from seller to buyer at that time and not at the ship's rail. "Carrier" means any person by whom or in whose name a contract of carriage by road, rail, air, sea or a combination of modes has been made.

FOR/FOT means "Free on Rail" and "Free on Truck." These terms are synonymous since the word "truck" relates to the railway wagons. They should only be used when the goods are to be carried by rail.

FOB AIRPORT is based on the same principle as the ordinary FOB term. The seller fulfills his obligations by delivering the goods to the air carrier at the airport of departure. The risk of loss of or damage to the goods is transferred from the seller to the buyer when the goods have been so delivered.

FAS means "Free Alongside Ship." Under this term the seller's obligations are fulfilled when the goods have been placed alongside the ship on the quay or in lighters. This means that the buyer has to bear all costs and risks of loss or damage to the goods from that moment. It should be noted that unlike FOB, the present term requires the buyer to clear the goods for export.

FOB means "free on Board." The goods are placed on board a ship by the seller at a port of shipment named in the sales contract. The risk of loss of or damage to the goods is transferred from the seller to the buyer when the goods pass the ship's rail.

C&F means "Cost and Freight." The seller must pay the costs and freight necessary to bring the goods to the named destination, but the risk of loss of or damage to the goods as well as of any cost increases, is transferred from the seller to the buyer when the goods pass the ship's rail in the port of shipment.

CIF means "Cost, Insurance and Freight." This term is basically the same as C&F but with the addition that the seller has to procure marine insurance against the risk of loss of or damage to the goods during the carriage. The seller contracts with the insurer and pays the insurance premium.

FREIGHT, CARRIAGE PAID TO. Like C&F, "Freight or Carriage paid to..." means that the seller pays the freight for the carriage of the goods to the named destination. However, the risk of loss of or damage to the goods, as well as of any cost increases, is transferred from the seller to the buyer when the goods have been delivered in to the custody of the first carrier and not at the ship's rail.

FREIGHT, CARRIAGE AND INSURANCE PAID TO. This term is the same as "Freight or Carriage Paid to..." but with the addition that the seller has to procure transport insurance against the risk of loss or of damage to the goods during the carriage. The seller contracts with the insurer and pays the insurance premium.

EX SHIP means that the seller shall make the goods available to the buyer on board the ship at the destination named in the sales contract. The seller has to bear the full cost and risk involved in bringing the goods there.

EX QUAY means that the seller makes the goods available to the buyer on the quay (wharf) at the destination named in the sales contract. The seller has to bear the full cost and risk involved in bringing the goods there.

DELIVERED AT FRONTIER means that the seller's obligations are fulfilled when the goods have arrived at the frontier - but before "the customs border" of the country named in the sales contract. The term is primarily intended to be used when goods are to be carried by rail or road but it may be used with any mode of transport.

DELIVERED DUTY PAID. While the term "Ex Works" signifies the seller's minimum obligation, the term "Delivered Duty Paid," when followed by words naming the buyer's premises, denotes the other extreme - the seller's maximum obligation. The term "Delivered Duty Paid" may be used with any mode of transport.



Appendix B: Sample Freight Worksheet

VALUE:	_____	_____	EX WORKS (FOB PLANT)
EXPORT PACKING:	_____		
CONTAINER LOADING:	_____		
INLAND FRT./CARTAGE:	_____	_____	
TRUCK/RAIL UNLOADING:	_____	_____	
		* _____	FREE CARRIER (FOB DOCK)
WHARFAGE:	_____	_____	
HANDLING:	_____	_____	
TERMINAL CHARGES:	_____	_____	
		* _____	FAS/FOB
OCEAN FREIGHT:	_____	_____	
ARBITRARY:	_____	_____	
BUNKER SUR CHG:	_____	_____	
OTHER: _____	_____	_____	
OTHER: _____	_____	_____	
FORWARDING:		_____	
DOCUMENTATION:		_____	
CONSULAR LEGALIZATION:		_____	
BANK DOCUMENTATION:		_____	
DISPATCH:		_____	
BANK COLLECTION FEES:		_____	
OTHER:		* _____	C&F/FREIGHT CARRIAGE, PAID TO
INSURED VALUE:	_____		
CARGO RATE:	_____	_____	
WAR RISK RATE:	_____	_____	
		* _____	CIF/FREIGHT CARRIAGE & INSURANCE PAID TO
COMMENTS:	_____		

FREIGHT RATES GOOD FOR:	_____		



Evaluation

The authors need and want your feedback. Please take a few minutes of your time to answer these questions. Your comments will help us improve the workbook and benefit users of future versions of the workbook. Thanks for your assistance.

Why did you decide to use the workbook?

What benefits did you receive from using the workbook?

What sections of the workbook were most valuable to you?

What sections of the workbook were least valuable to you?

Did you find the workbook easy to use? Why or why not?

What changes would make the workbook easier to use?

How much assistance did you have in completing the workbook?

What is your overall opinion of the workbook's value?

Would you recommend the workbook to others? Why or why not?

Your name and address (optional).

Thank you for taking the time to complete this evaluation. Please mail it to the authors at the following address:

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212 Washington
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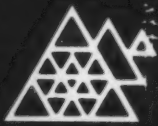
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